

**CONSOLIDATED STATEMENT OF CHANGES
IN FINANCIAL POSITION**

(unaudited)

	Six Months Ended June 30	
	1973	1972
SOURCES:		
Earnings for the period *	\$ 259,000	\$ 272,000
Decrease (increase) in real estate held for development and/or sale and investment in joint venture	100,000	(123,000)
Increase in deposits and debentures	8,391,000	4,524,000
Issue of treasury shares	6,000	433,000
Increase (decrease) in bank loans	152,000	(70,000)
Increase (decrease) in mortgages payable	106,000	(20,000)
	<u>\$9,014,000</u>	<u>\$5,016,000</u>
DISPOSITIONS:		
Increase in mortgages receivable less unamortized discounts and placement fees thereon	\$7,158,000	\$3,595,000
Increase in bank, deposit receipts and securities	856,000	401,000
Increase in premises and equipment	20,000	37,000
Decrease in mortgagors' tax deposits	149,000	124,000
Increase in consumer and demand loans	264,000	357,000
Excess of cost over net book value of shares in a subsidiary	1,000	22,000
Dividends — Class A shares	80,000	42,000
Repayment of long term debt	133,000	148,000
Net other dispositions	353,000	290,000
	<u>\$9,014,000</u>	<u>\$5,016,000</u>

*After adding back depreciation, amortization of financing expenses and minority interest (1973 — \$34,000; 1972 — \$32,000).



Realty Capital Corp. Limited

141 Yonge Street, Toronto

Subsidiaries:

- County Savings and Loan Corporation
- Federal Trust & Savings Company
- Warchester Investments Limited
- Commodore Investments Limited
- Realty Capital Investments (Central) Limited
- Edenhurst Developments Limited

Branch Offices of

- County Savings and Loan Corporation*
- Federal Trust & Savings Company*

- 141 Yonge Street, Toronto
- 605 Danforth Avenue, Toronto
- 950 St. Clair Avenue West, Toronto
- 1850 Eglinton Avenue West, Toronto
- 1224 St. Clair Avenue West, Toronto
- 2070 Danforth Avenue, Toronto
- * 9 Queen Street East, Brampton
- * 343 College Street, Toronto

* To be opened October 1973

Services and Functions:

- Savings Accounts
- Chequing Accounts
- Current Accounts
- Guaranteed Investment Certificates
- Debentures
- Short-term Deposits
- Safety Deposit Boxes
- Safe Keeping
- Foreign Exchange
- Money Orders
- Travellers Cheques
- First Mortgage Loans
- Consumer and Personal Loans
- Mortgage Management
- Mortgage Banking
- Interim Construction Loans
- Secondary Mortgage Financing
- Registered Retirement Savings Plans
- Real Estate Sales
- Real Estate Appraisals
- Real Estate Management
- Personal Investment Management

AR43



**REALTY
CAPITAL
CORP.
Limited**

☐
☐

☐
☐

INTERIM REPORT
six months ended
June 30, 1973

President's Report

TO THE SHAREHOLDERS:

In the six months ended June 30, 1973, total income increased 22% to \$2,596,000 from \$2,132,000 in the corresponding period last year. Total assets, at \$62 million, rose 16% from year end and 27% from June 30, 1972.

Net earnings in the latest period were \$225,000. This compares with a profit of \$220,000 before an extraordinary item last year. Final profit in the first half of 1972 was \$240,000, after inclusion of a \$20,000 gain due to a tax loss carry forward.

Based on a weighted average of 708,880 shares outstanding, earnings in the first half were equal to 32¢ per share (24¢ fully diluted). This compares with earnings of 38¢ before and 41¢ after the extraordinary item last year, on an average of 21¢ fewer shares outstanding.

The moderation in earnings growth in the latest period is principally due to start-up costs of newly-introduced trust company services, notably real estate agency sales, mortgage banking and registered retirement savings plans. Further, with the expectation that interest rates would continue to rise, management efforts during the second quarter were particularly directed toward accumulating capital for subsequent investment at higher rates. This emphasis is reflected in the Corporation's strong cash position of \$3,708,000 at period end, up substantially from \$2,574,000 a year ago.

It should also be noted that earnings in the corresponding period last year benefited from land sale revenue of \$112,000 against \$38,000 in the first half of 1973. In the balance of the current year, an important additional contribution is expected from the Real Estate Division through the sale of units within the Corporation's condominium development in the Town of Markham. Other development projects are also being organized for the coming year.

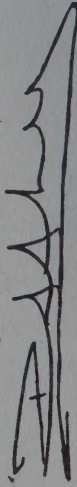
The traditional service areas of the Trust and Savings Division continue to expand as indicated by a 39% increase in mortgages held and a 15% rise in net income before extraordinary gain since the end of the second quarter last year.

Complementing this growth, the newly-introduced real estate sales and mortgage banking service departments are demonstrating increasing productivity and earnings potential. Illustrative of the progress of the mortgage banking group has been a marked rise in assets under administration which at the close of the latest period stood at \$3,760,000. Agency fees from real estate sales are also rising and prospects for the future are very promising.

Plans for the opening of two additional Federal Trust branches, one in Toronto and the other in Brampton, Ontario, are progressing well. With these two new branches expected to open in the fourth quarter of the current year, the total number of Federal Trust branches will be increased to eight. Income of the Mortgage Division, which is active in the fields of interim, bridge and secondary mortgage financing, was \$236,000 in the first half of 1973, up 8.3% from the corresponding period last year. Further growth in this sector of operations can be expected in the balance of the year.

Improved performance over results of the first half can be expected for the balance of 1973. Contributing to this favourable outlook are the coming on stream of higher-yield mortgages, increased income from newly-introduced trust company services and higher income from the Real Estate Division. These factors should offset any further rises in interest rates which may be forthcoming in the closing months of the year.

On behalf of the Board,



September 10, 1973

David S. Ades, President.

CONSOLIDATED STATEMENT OF EARNINGS (unaudited)

Six months ended
June 30

	1973	1972
Total income	\$ 2,596,000	\$ 2,132,000
Interest	1,439,000	1,155,000
Administration expenses	739,000	556,000
Depreciation and amortization	33,000	28,000
Minority interest	2,000	4,000
Earnings before income taxes and extraordinary item	2,213,000	1,743,000
Income taxes	383,000	389,000
	158,000	169,000
Extraordinary item*	225,000	220,000
Net earnings for the period	\$ 225,000	\$ 240,000

* Reduction in income taxes due to losses and other items carried forward from prior years.

Dividends paid on Class A shares	\$ 80,000	\$ 42,000
Number of shares outstanding		
Class A	535,851	415,062
Common	174,400	174,400
	710,251	589,462
Earnings per Class A and Common share*		
Earnings before extraordinary item	\$0.32	\$0.38
Net earnings for the period	\$0.32	\$0.41
Fully diluted earnings per Class A and Common share*		
Earnings before extraordinary item	\$0.24	\$0.26
Net earnings for the period	\$0.24	\$0.28

* Based on the weighted average number of shares outstanding during the period.

CONDENSED CONSOLIDATED BALANCE SHEET (unaudited)

As at June 30

	1973	1972
ASSETS		
Mortgages	\$44,000,000	\$32,175,000
Securities	7,332,000	8,166,000
Real estate	3,531,000	3,707,000
Cash and bank deposit receipts	3,708,000	2,574,000
Consumer and demand loans	1,209,000	558,000
Other assets	2,177,000	1,636,000
	\$61,957,000	\$48,816,000
LIABILITIES AND EQUITY		
Deposits and debentures	\$51,118,000	\$39,022,000
Mortgages payable	2,199,000	2,186,000
Long term debt	1,678,000	1,857,000
Bank loans	2,267,000	2,165,000
Other liabilities	695,000	648,000
Deferred income taxes	349,000	203,000
Minority interest	40,000	30,000
Shareholders' equity	3,611,000	2,705,000
	\$61,957,000	\$48,816,000
ASSETS UNDER ADMINISTRATION	\$ 3,760,000	—

AR43

REALTY CAPITAL

Once stock prices recover...

Reprinted from

**Financial
Times**
OF CANADA

June 11, 1973

REALTY CAPITAL

Once stock prices recover...

By Jane Watson

It is hard to say when investors will return to the stock market and start picking up fundamentally sound stocks — particularly those that now sell at a low price in relation to earnings and offer a good yield as well.

But when they do, **Realty Capital Corp. Ltd.**, of Toronto, could be one choice. At \$5½, the company's class A shares trade at 6.5 times estimates for 1973 profits and offer a 5.5% yield. David Ades, president, projects 20% to 25% profit growth for the next two to three years.



David Ades

"We want to get into leasing"

Realty Capital's 81% involvement (based on 1972 gross income) in the savings and loan business helps explain the stock's current depression. When interest rates rise, the warning signal flashes against financial companies whose borrowing costs could rise more quickly than investment income, thus squeezing profit margins.

But Mr. Ades claims that other activities — a new trust company, real estate development, interim financing and second mortgages — will more than offset such a squeeze.

Apart from 1970, when rising interest rates and a slow mortgage market depressed profits, Realty Capital's record has been good. From 1969 to 1972, revenues increased almost nine-fold, including a 36% gain to \$4.8 million in 1972. Profits increased 460% in the same period, with last year's \$597,000 representing a 67% gain over 1971.

Mr. Ades started Realty Capital as a mortgage lender in the late 1950s. In 1964, the company bought into Toronto's **County Savings & Loan Corp.** and by January 1971 had 99%.

In March 1971, a wholly-owned real estate subsidiary bought another Toronto company, **Federal Savings & Loan Corp.**, which was then an inefficient operation. Its fortunes soon improved, and in 1972, Federal's and County's operations were merged and a trust subsidiary called **Federal Trust & Savings Co.** was established. Trust services are now offered at the six Toronto savings and loan branches, which sport the Federal Trust name. Two more branches are planned this year, and three or four next year.

Despite rising interest rates, Mr. Ades expects good growth from the main division this year.

Planning to pump all the money it can into mortgages, which now offer 9.5% and could offer 9.75% to 10% by yearend, the company last week raised its rate on three-year term deposits to a hefty 8.25%. If mortgage demand remains strong, this volume could help offset squeezes on existing business.

In fact, the proposed debenture issue is somewhat related to the push for deposits. Besides retiring bank debt, it would be used to buy Federal Trust shares. This would raise the company's capital and thus its borrowing limits.

Perhaps more important, added revenue will come from new trust company services:

registered retirement savings plans, a mortgage bank, residential and commercial real estate sales, and management of portfolios exceeding \$100,000.

Since there are three warrant series and two convertible debentures outstanding, and another debenture pending with an undisclosed number of warrants attached, it is difficult to measure profits on a per-share basis. But including the existing 24% dilution potential, share profits in 1972 were 71 cents and the 1973 estimate is 85 cents.

Since 1970, the stock has not traded at more than 11 times share profits. At \$5½, it is down from the 1973 high of \$7-3/8. Since its listing in 1969, the year it was split 2-for-1, the stock has traded between \$7½ and \$1.70.

The real estate division, called **Realty Capital Investments Central Ltd.**, is a sideline so far. It owns land in Pickering, Ont., which soon will be expropriated for a new airport. It is developing a condominium in Markham, Ont., and has a small land bank.

Modelling Realty Capital on U.S. bank holding companies, Mr. Ades plans more diversification — but into related areas. "We want to get into leasing," he says. And he is eyeing the lucrative Florida, Arizona and California markets.

A sober view is that the company is just now trying its wings in new areas and could meet unexpected start-up costs along the way. But the stock's price and yield suggest there is little risk and possibly good gains to be made.

Entering new markets

	1969	1970	1971	1972
Gross income				
\$ millions	0.5	1.2	3.5	4.8
Net profits				
\$ thousands	106	81	358	597
\$/share	0.23	0.20	0.49	0.71